
CITY OF TEMPE
REQUEST FOR COUNCIL ACTION

Council Meeting Date: 12/12/2013
Agenda Item: 5C2

ACTION: Introduce and hold the first public hearing to adopt an ordinance amending Chapter 16 of the Tempe City Code, relating to License, Privilege and Excise Taxes. The second and final public hearing is scheduled for January 9, 2014. (Ordinance No. O2014.01)

FISCAL IMPACT: The additional and expanded exemptions provided for in this ordinance are expected to result in a loss of transaction privilege tax revenues of approximately \$800,000 to \$900,000 annually, substantially all of which relates to the expansion of the exemption for leases of commercial real property between affiliated entities.

RECOMMENDATION: Adopt Ordinance No. O2014.01. These changes have already been enacted into State Statute and the Model City Tax Code; the City is required to comply.

BACKGROUND INFORMATION: Each year, the Arizona State Legislature enacts changes to the State transaction privilege tax statutes that are also binding on Arizona cities and towns. In addition, Arizona cities, in conjunction with the League of Arizona Cities and Towns, have been engaged in an ongoing project to promote greater consistency among the cities by eliminating various options and exceptions in the Model City Tax Code that have accumulated since its inception.

This ordinance adopts into the City Code those changes that were adopted by the Municipal Tax Code Commission in 2012 and 2013 by repealing Section 16-120 and Reg. 16-120.1, adding Sections 16-462 and 16-485, and amending Sections 16-100, 16-200, 16-425, 16-445, 16-450, 16-460, 16-465, 16-480, 16-660, Reg. 16-270.1, and Reg. 16-460.1. The principal effects of these changes are to:

- Establish separate tax classifications for sales of food for home consumption and wastewater removal services;
- Expand the existing exemption for leases of commercial real property between affiliated entities to include all forms of legal entity;
- Establish new exemptions for sales of orthodontic devices, sales of postage and freight by printing companies, rental of ignition interlock devices, sales of cash equivalents, and sales of renewable energy credits, as established by state statute;
- Adopt specific language providing for various other exemptions previously adopted at the State level which, generally, either had limited applicability or were already required by existing case law.

ATTACHMENTS: Ordinance

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